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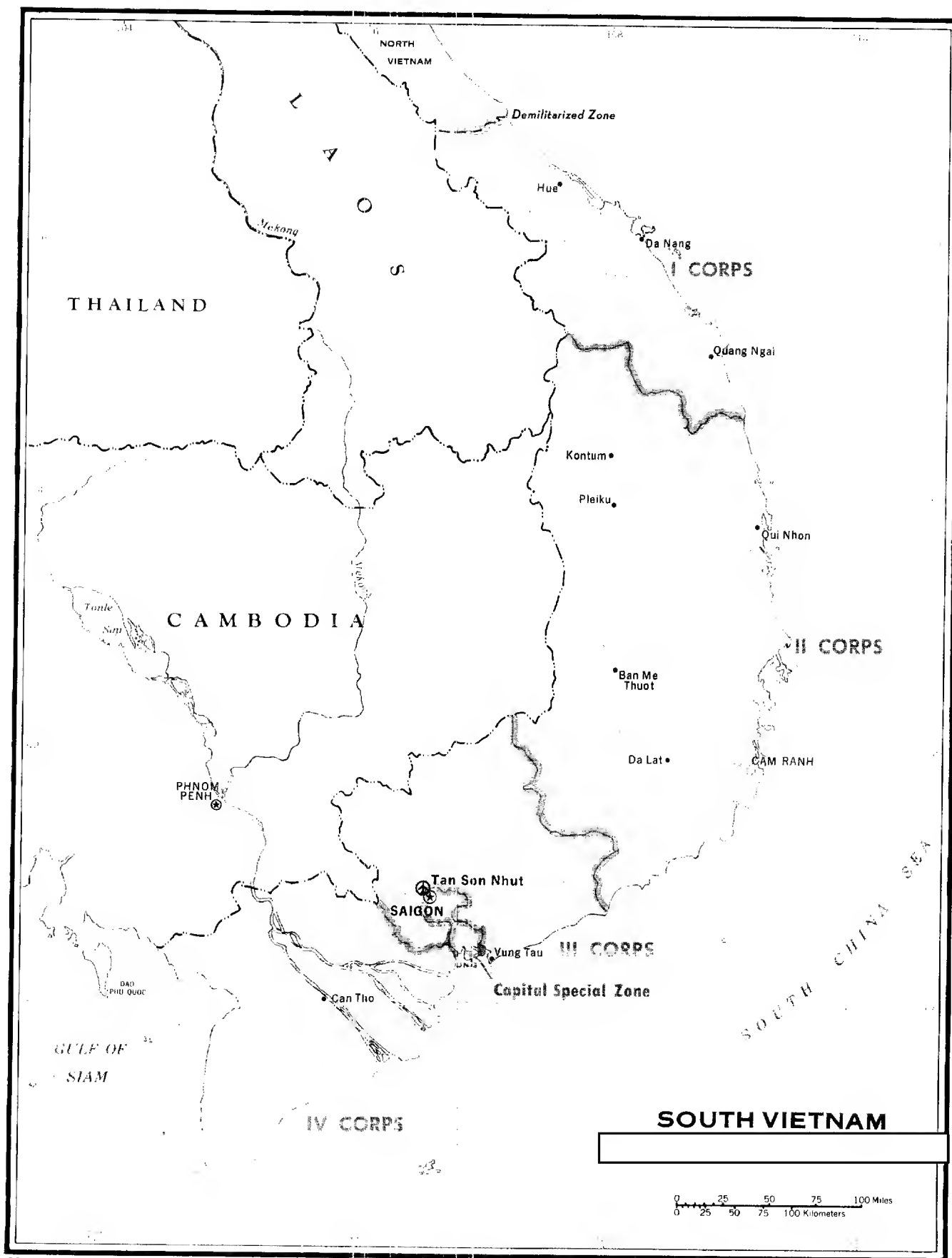
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Vietnam:

South Vietnam: Communist-initiated military activity remains light; only widely scattered harassing actions and terrorist attacks were reported on 25-26 July.

The Communists appear to be moving ahead with attack preparations in the Saigon area. Prisoners [redacted] indicate the Communists are searching for infiltration routes into Saigon and are attempting to move weapons and commando groups into the capital and near Tan Son Nhut air base.

North Vietnam: Hanoi may be delaying the release of three US pilots as part of an effort to induce the US to scale down some of its military operations against the Communists. The pilots did not arrive in Vientiane on 26 July as expected. In turning over the pilots to three US peace activists on 18 July, Hanoi described the release as a "very significant" act and bluntly contrasted it with alleged US intensification of the war. [redacted]

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[Czechoslovakia-USSR: Dubcek yesterday reasserted his regime's determination to continue its reforms even as it made some halfway responses to Soviet demands.

His statement came after the Czechs had in effect sacrificed the controversial Lt. Gen. Prchlik to the Soviets. The Czechoslovak Government on 25 July also approved the creation of advisory councils for radio and television. This step, without actually reimposing censorship now, is a nod in the direction of the Soviet demand for tighter control of news media.

Statements in the Czechoslovak National Assembly on 25 July and a heavy publicity campaign in recent days maintaining that Prague keeps its borders secure are a response by Prague to the Soviet demand that measures must be taken to strengthen the borders, particularly those with West Germany. A Czechoslovak journalist informed the US Embassy that Prague expects the Soviets to demand the stationing of Warsaw Pact troops in the country to "protect" the borders. He added that a Soviet note of 19 July carried this implication. The Czechoslovak attitude, thus far, indicates that Prague will balk at this demand.

The time and place of the meeting between the Soviet and the Czechoslovak leaders still seems to be under negotiation. Key figures from both sides were publicly identified in Moscow and Prague yesterday.

Dubcek, in referring to the still-pending talks, told a group of factory workers on 26 July that there is no need for "fears and mistrust" concerning the negotiations. He said that confidence concerning the "correctness of our new policy" is needed to help Prague "finally allay" the fears of the Soviets. He was apparently responding to rumors that the presidium was split, and to appeals issued by the writers' journal and trade union daily to defend resolutely the Czechoslovak reform program.

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[There was a suggestion of economic difficulty between Prague and Moscow in yesterday's remarks by the Czechoslovak foreign trade minister. On his return from talks in Moscow, the minister seemed to be putting the best face on the results by calling the discussions "successful." Nevertheless, on three of the most important questions of interest to the two sides--Soviet grain shipments, a Soviet credit, and a gas and iron ore agreement--the details probably remain to be worked out for 1969. These are items on which the Soviets might stall if they wished to add economic pressures to the political and psychological ones already being exerted on Prague.



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[Thailand: The brief attack against the Udorn air base last night appears to have been an isolated incident.

According to preliminary reports, a small group of infiltrators armed with automatic weapons and grenades damaged two US aircraft and wounded four US servicemen before withdrawing. One of the attackers was killed. No incidents were reported at other US facilities in Thailand.

The identity of the attackers is not known, but Communist terrorists near Udorn have long been credited with the capability of mounting such a raid. If confirmed, the attack would be the first the Communists have directed at the considerable US presence in Thailand.

The raid may prompt Thai authorities, who have responsibility for security at US installations, to tighten their procedures.

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USSR: The performance of the Soviet economy in the first half of 1968 reflects a continuation of policies favoring the military and consumer at the expense of growth-oriented investment.

Analysis of official Soviet data shows that the slighting of investment in the past two years has resulted in a moderate decline in the growth of industrial output. During the first half of 1968, civilian industrial output grew at an estimated rate of about six percent, the lowest rate of increase since 1963. The slowdown was common to all major sectors of civilian industry.

Total industrial output during this period appears to have grown at a somewhat higher rate than the output of civilian goods. The difference is due to what apparently is a continuation of high rates of growth in the production of military and space hardware at the expense of civilian machinery production. One of the results of this, in turn, is that as in the past two years, delivery of equipment to agriculture has lagged seriously behind what was planned.

The Soviet consumer nevertheless continues to experience a moderate improvement in his standard of living. Sales of quality foods--meat, milk, eggs, and fruit--increased at a higher rate. Even the housing sector, the perennial laggard, performed better than it has for several years. The amount of money in the Soviet citizen's pocket, however, is still growing faster than production of the things he can spend it on--as well as running ahead of the five-year plan goals. This means a further increase in pent-up demand and in latent inflationary pressures.

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Guatemala: Communist terrorists may be planning to disrupt municipal elections scheduled for 11 August.

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Two local leaders of the Revolutionary Party have in fact been kidnaped recently. One was a candidate in the coming elections, and his abduction could be blamed on the rightists. The Communists claimed credit for the other, which they described as retaliation against government antiterrorist activity.

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Bahamas-UK: Britain has agreed to discuss the Pindling government's request for increased autonomy in a meeting to begin on 19 September.

Although the British appear likely to accede to Bahamian requests for greater authority over foreign affairs and appointments to the senate, the question of control over internal security will probably prove difficult. The Bahamian Government has been critical of British performance in this area, most recently in the handling of the large number of Haitian emigrés and their anti-Duvalier activities.

No basic change in the governmental arrangement is likely to result from the talks, since the Bahamas already exercise almost full internal autonomy. Nevertheless, British acquiescence in some Bahamian demands as well as the scheduled replacement of the unpopular British governor may improve relations. The US Consul General in the Bahamas believes, however, that independence is still several years away.



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25X1 Israel-Jordan: The death of an Israeli brigade commander yesterday in a fire fight between Arab terrorists and Israeli troops could provoke another Israeli retaliatory strike against terrorist bases in Jordan. Border incidents have recently declined to about one a day, primarily because of increasingly effective Israeli countermeasures. Although the Israelis usually regard civilian casualties as a greater provocation, they may now feel compelled to avenge the highest ranking officer to die since the war last year. [REDACTED]

* * * *

25X6 Algeria: New symptoms of political instability have appeared. Friction is reported within the clique of supporters surrounding President Boumediene, [REDACTED]

25X1 [REDACTED] Moreover, new waves of arrests have uncovered an organization to facilitate the escape of opposition sympathizers across the Algerian-Moroccan border. Among those taken into custody were several prominent former guerrilla officers, including the principal lieutenant of opposition leader Belkacem Krim. [REDACTED]

[REDACTED]

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